

U. S. Army ARMS Program Receives International Commercial Real Estate Award

At the Oct. 11-15 Corporate Real Estate Network (CoreNet) Global conference, the U. S. Army Armament Retooling and Manufacturing Support Initiative (ARMS) received the award for Innovations by New Players in Corporate Real Estate. This award recognizes innovative practices and ideas that have been developed and applied by new entrants into the corporate real estate industry. It recognizes how new entrants are using the web, new technologies and leading-edge processes to create and deliver value to respond to the needs and expectations of stakeholders in the New Economy such as better information, more efficient markets and new and faster solutions.

ARMS, a congressional and Department of Defense initiative, has been a model defense reuse program since legislative support was granted in 1992 as a part of Public Law 102-484. The Program involves ten Army Ammunition plants and under public-private partnerships, commercial contractors use idle Government facilities and assets in return for rent or services. Goals of the Program included reducing the cost of ownership of the facilities and maintaining facility defense capability while enhancing the affected communities' economic and social well being.



R Schweitzer, S Saunders, J Figg, D Borgeson, W Gouguet, T Hewitt, D Ratcliff, J Burgin and the Global Innovators Award at the Atlanta Conference.

The ARMS Program has had innovative practices in the area of contracting, incentives, community partnerships, and marketing. "We are pleased to accept this award," said Doug Borgeson, Contracting Officer for the ARMS Program. "ARMS is a very successful program and we are grateful for receiving recognition from CoreNet. ARMS has been a win-win for industry and Government and has saved the taxpayers millions of dollars."

CoreNet Global is the world's premier association for corporate real estate and related professionals. As a global learning organization, it is the industry

thought and opinion leader. CoreNet Global is the only group that convenes the entire industry. CoreNet Global's membership base totals 7,500 corporate real estate executives, service providers and economic developers; it provides programs and services to meet the business needs of members' companies and the career needs of individual members.

The ARMS Program would not have been successful using classic Government contracting methods. New techniques had to be developed to maintain the ammunition industrial base and retain critical production skills, while providing economic

development for surrounding communities. The Army is now beginning to realize and create the potential value from its facilities. From such a program the Department of Defense can demonstrate how it can leverage its assets into decreased defense budget costs in the future. Perhaps ARMS could be used as a model and an alternative to costly base closures.

Contracting Innovations

Through the use of a contract with the facility contractor, the Government maintains control over their facility by approving the use of their facility for a



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...continued from pg. 1



specific tenant of the contractor. The contractor negotiates a commercial agreement between his organization and the tenant. By using such a technique the Army maintains a single facility contract with the facility contractor and the contractor can use commercial terms and conditions with his multiple tenants. This novel approach keeps the tenant and the Army doing business with the facility contractor, saving time and complications of Army/tenant or lessee multiple agreements.

The other approach that has encouraged the facility contractors to take more risk is the initiation of long term contracting terms and management of environmental risks. The ARMS Team has sponsored the approval of 25 year facility use contracts for its contractors and his tenants.

Creative Incentives

The Army ARMS Team has developed a family of incentives that have proven to be effective at bringing tenants onto a facility. These incentives avoid time consuming negotiations and complications of being a Government tenant/lessee at a Government

production facility. Some of these incentives are shown in the table to the right.

Community Partnerships

The ARMS Team and its contractors work closely with local community and state economic development departments to recruit, locate and develop new business opportunity. A number of ammunition plants have developed business development centers to incubate and support start-up and small businesses. One example of such collaboration is in Kingsport, Tennessee where local city and county officials collaborated with the Army, U. S. Department of Commerce and the Contractor, BAE Systems, to establish the Holston Business Development Center. Improvements in the facility were funded by the ARMS Program and operating expenses were funded by city, county and the U.S. Department of Commerce. Local contractors participated in demolition and construction contracts to improve the Army facility to provide office space for twenty four small businesses with clean, low-rent office space that includes phones, office equipment and amenities to support business growth. At another location the Mississippi Enterprise for Technology, a state supported activity, has established a business development center with twenty technology based businesses using Army facilities at the Mississippi Army Ammunition Plant to accelerate their growth.

Marketing the Program

In order to attract tenants to

ARMS Team Incentives:

- Use of land, buildings and equipment under competitive terms
- Incentives for building alterations, consolidation, modification and/or upgrading of production facilities and equipment
- Engineering feasibility and environmental baseline studies
- Foreign trade zone
- No inherited environmental liability
- Small business development centers
- A loan guarantee program
- Local and prevailing market rates for utilities and services such as electricity, natural gas, central steam heating, water, sewage, fire protection and security
- Accessibility to a skilled industrial workforce
- Easy access to major land, air and sea transportation networks for domestic and international distribution
- Commercial/industrial park standards
- Reduced capital investments

these facilities, the ARMS Project Team had to develop a marketing strategy to effectively showcase these facilities and outline the incentives and benefits of the Program while still being able to highlight the specific facilities located in diverse parts of the country. A collaborative marketing approach was developed called Operation Enterprise. This approach allowed each plant a marketing budget to promote its individual assets but also established a program for the overall ARMS Program. Advertisements were created and placed in national real estate publications that outlined the ARMS Program itself and tied individual plant ads to the program by common colors and logos. Each plant was able to highlight specific assets or services available to clients but still have visibility as a participant in the overall program.

The Operation Enterprise marketing approach demonstrated not only efficiency in print ads but also used a cooperative web page to market the highlights of the program and individual plants sites. The web page at www.openterprise.com was designed to allow marketing representatives at each plant to administratively control what was being promoted at its location and also have the ability to link to each individual plant's web page. Information about the ARMS Program and incentives are available on the Operation Enterprise web page along with copies of press releases about the program and copies of printed newsletters and reports. Search engines and links between plants serve to increase the visibility for all and leverage the efforts of all stakeholders in the process.

Grand Opening of Holston Business Development Center Signals New Era

Exactly four years from the time that BAE proposed the idea (at the 1999 Kingsport Economic Summit) of a business incubator for start up businesses, the ribbon was cut on August 28, 2003 to open the Holston Business Development Center. The Grand Opening attracted the Honorable Phil Bredesen, Governor of Tennessee, Congressman Bill Jenkins, Mayor Blazier, Mayor Lee and more than 250 attendees to celebrate the occasion and meet members of the four companies already operating from the new facility. That number has grown to six within four weeks of the opening. One of the companies has international connections with the facility serving as the North American Headquarters. The company, Lingua Plus, specializes in translations from any language to any language. The project was facilitated by BAE Systems/OSI and is now



Bob Murphy, Congressman Jenkins, Mayor Blazier, Governor Bredesen, Jim Anderson, Mayor Lee, and Tony Hewitt participating in the ribbon cutting ceremony.

jointly owned and operated by Hawkins County and the City of Kingsport. Over \$700,000 of the \$910,000 construction cost were obtained through State and Federal Grants. The Army contributed \$200,000 through the ARMS Program as well as provision of the land on which the facility is situated.

The facility and board of directors enjoy support from East Tennessee State University and North East State Technical College. The facility boasts 13,500 sq. ft. and offers 9,000 sq.ft. of open plan space provided by the Army / BAE to accommodate light manufacturing/engineering opportunities. The single story, energy efficient structure offers 24 individual office units of 400 sq. ft. each. Four units offer common work space for conferencing, training and administrative functions.

The facility will help reduce start up costs through subsidized office/manufacturing space and shared business services. The facility will also provide free technical/business consultation and training as well as provide a prestigious location to enhance the image of start up companies. The center hopes to attain 70% occupancy within the first two years of operation, graduate 5 businesses per year commencing in year three while creating at least 100 new jobs in the community by the end of the fifth year.

Tony Hewitt, Commercial Development Director for BAE Systems Ordnance Systems Inc. stated, "the completed facility culminates a truly cooperative effort by BAE, the Army and the entire community. The facility will create opportunities for

fledgling entrepreneurs and our vision is that they will prosper, grow and keep their business in the Tri Cities region. Hopefully, some will even see the advantages of the Holston Business and Technology Park and take up residence there."

Jim Anderson, Director of the Business Development Center stated, "we are elated with the community's support and positive response. We've been open for 30 days and already have six companies in our facility. BAE SYSTEMS' generous support and leadership was the driving force which made this project a reality."



Governor Bredesen speaks as Congressman Jenkins looks on.



The Fall 2003 ARMS Newsletter pointed out the importance of the growth of the existing tenant base at Lake City AAP. This issue is a continuation of that article and highlights the Lake City Credit Union.

Credit Union Moves... to the Center of the Action!

Employment at Lake City had fallen to approximately 650 ammunition manufacturing employees and the occasional outside contractor providing maintenance and / or environmental test services. That was the picture in the spring of 2000 when the Lake City Credit Union was invited to lease a small office in the middle of the one and only building considered suitable for lease at Lake City. Today, approximately 1,800 ammunition production employees and 180 tenant and outside contractor employees on site, provide a customer opportunity for the Credit Union. Over a year ago discussions and negotiations were undertaken to properly position the Lake City Credit Union to take advantage of all these new prospective members. To achieve this goal a more central location was

needed. Top of the line financial services and office facilities would be needed and the ARMS program was the incentive.

After lengthy discussions with the ARMS Teams at both Lake City and Rock Island, it was agreed the significant upgrade of office space at the north entrance of the headquarters building lobby was the perfect, centrally-located facilities for the Credit Union. In order to service a growing client base on a 24/7 basis, an outdoor ATM has also been installed.

Remodeling and relocation of the Credit Union ATM and office was completed Nov. 1. Barb Bellew, Regional Manager, feels this upgraded facility, made possible through the ARMS program, will give the Lake City branch

the "shot in the arm" it has needed for some time. With the new facility set to open before the holiday season, Barb and her staff hope to introduce other Lake City ARMS tenants to the financial services that will be available at the Lake City branch office. The Lake City Credit Union offers a full line of financial services to include:

- Savings Accounts
- Checking Accounts
- Debit and Credit Card Services
- ATM Service
- Certificates of Deposit
- Automobile Loans
- Home Loans
- Home Equity Lines of Credit
- On-Line Financial Services

Come see us growing at the Lake City Business Center.



Photo 1: ATM located outside credit union. Photo 2: Interior of remodeled credit union.

News@Arms Would Like to Congratulate CoreNet Global's 2003 Global Innovator's Award Winners

Ford Land

"In the Community"

An innovative program that supports community organizations and education, and improves the environment in which Ford Land operates.

Greater Fort Bend Economic Development Council

"Revolutionizing Economic Development"

An innovative tool incorporating the latest GIS technology with the Council's market and industry knowledge to provide a more efficient, cost effective site selection and development process.

Sprint Enterprise Property Services

"Sprint e-Volution Program"

An innovative program designed to provide customers with creative and competitive real property solutions that deliver tangible value and cost savings.

Toyota Real Estate & Facilities

"Process Green"

An innovative and sustainable approach to minimize the impacts of development while decreasing costs.

U.S. Army

"ARMS Program"

An innovative program designed to treat its ammunition production facilities and surrounding real estate as assets, while letting the commercial marketplace help reduce the cost of Army operations and production.